

ANNEXURE A



VISION

A prosperous, sustainable and community-oriented city

MERA FONG CITY LOCAL MUNICIPALITY

MEDIUM TERM BUDGET 2019/2020 TO 2021/2022

MISSION

To provide quality services to our community through accountable governance

MEDIUM TERM BUDGET 2019/2020 TO 2021/2022

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1 Operating Revenue Framework

For Merafong City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Expenditure has been trimmed in areas that will not adversely affect service delivery, or where programmes are underperforming.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Council and continued economic development;
- Efficient revenue management, which aims to ensure a 75 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 1 Summary of Revenue classified by main source

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue By Source										
Property rates	2	150,416	161,530	171,323	185,386	181,725	181,725	536,696	568,897	603,031
Service charges - electricity revenue	2	252,958	261,751	246,921	273,707	307,036	307,036	267,584	283,639	300,657
Service charges - water revenue	2	253,089	258,526	265,044	294,017	283,291	283,291	362,742	384,506	407,577
Service charges - sanitation revenue	2	38,681	39,042	48,656	29,090	50,240	50,240	55,903	59,257	62,812
Service charges - refuse revenue	2	54,973	58,974	64,097	58,477	65,700	65,700	62,231	65,965	69,923
Rental of facilities and equipment		818	1,242	1,104	2,340	2,376	2,376	2,495	2,645	2,804
Interest earned - external investments		1,381	1,319	15,236	6,500	8,871	8,871	8,871	9,403	9,967
Interest earned - outstanding debtors		5,602	7,318	89,587	93,004	106,967	106,967	113,559	120,373	127,595
Dividends received						-	-	-		
Fines, penalties and forfeits		54,674	73,424	39,585	10,836	6,655	6,655	7,435	7,882	8,355
Licences and permits		13,496	30,927	10,607	16,397	16,398	16,398	17,382	18,427	19,532
Agency services		11,411	14,321			-	-	-		
Transfers and subsidies		206,290	264,713	205,203	227,399	230,646	230,646	233,422	248,796	269,137
Other revenue	2	538	191	1,079	135	8,860	8,860	6,429	6,815	7,224
Gains on disposal of PPE		48	2,900							
Total Revenue (excluding capital transfers and contributions)		1,044,378	1,176,178	1,158,442	1,197,288	1,268,765	1,268,765	1,674,748	1,776,603	1,888,613

Table 2 Percentage growth in revenue by main revenue source

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description								
	Adjustment Budget 2018/2019	% Increase	2019/2020	% Increase	2020/2021	% Increase	2021/2022	% Increase
Revenue By Source								
Property rates	181,725	6.07%	536,696	195.33%	568,897	6.00%	603,031	6.00%
Service charges - electricity revenue	307,036	24.35%	267,584	-12.85%	283,639	6.00%	300,657	6.00%
Service charges - water revenue	283,291	6.88%	362,742	28.05%	384,506	6.00%	407,577	6.00%
Service charges - sanitation revenue	50,240	3.25%	55,903	11.27%	59,257	6.00%	62,812	6.00%
Service charges - refuse revenue	65,700	2.50%	62,231	-5.28%	65,965	6.00%	69,923	6.00%
Rental of facilities and equipment	2,376	115.27%	2,495	5.02%	2,645	6.00%	2,804	6.00%
Interest earned - external investments	8,871	-41.78%	8,871	0.00%	9,403	6.00%	9,967	6.00%
Interest earned - outstanding debtors	106,967	19.40%	113,559	6.16%	120,373	6.00%	127,595	6.00%
Fines	6,655	-83.19%	7,435	11.73%	7,882	6.00%	8,355	6.00%
Licences and permits	16,398	54.59%	17,382	6.00%	18,427	6.01%	19,532	6.00%
Transfers recognised - operational	230,646	12.40%	233,422	1.20%	248,796	6.59%	269,137	8.18%
Other revenue	8,860	720.95%	6,429	-27.44%	6,815	6.00%	7,224	6.00%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	1,268,765	9.52%	1,674,748	32.00%	1,776,603	6.08%	1,888,613	6.30%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 76.73 percent of the total revenue mix. In the 2019/20 financial year, revenue from rates and services charges totalled R1,285.2 Million.

Operating grants and transfers totals R233,422 Million in the 2019/20 financial year and increases to R248.8 in 2020/21 and to R269.1 Million in 2021/2022.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		173,125	248,009	192,401	210,069	210,069	210,069	212,297	228,066	248,137
Local Government Equitable Share		168,320	162,952	163,084	185,872	185,872	185,872	204,068	221,470	241,011
Finance Management		1,600	1,625	1,700	1,700	1,700	1,700	2,165	2,597	2,861
Municipal Systems Improvement		930	-					1,750	500	500
EPWP Incentive		2,275	1,424	1,470	1,180	1,180	1,180	1,000		
Municipal Infrastructure Grant (MIG)								3,314	3,499	3,765
Disaster Grant			82,008	26,147	21,317	21,317	21,317			
Other transfers/grants [insert description]										
Provincial Government:		31,433	15,053	15,998	17,330	20,577	20,577	21,125	20,730	21,000
Housing		21,530	153							
Department of Sports, arts, culture and recreation		9,903	12,900	15,498	15,330	18,577	18,577	19,375	20,000	21,000
Agricultural and Rural Development			-			-	-			
EPWP Incentive			500	500	500	500	500	1,000		
Department of Cooperative Governance and Traditional Affairs			1,500		1,500	1,500	1,500	750	730	
District Municipality:		1,732	1,650	1,763	-	-	-	-	-	-
HIV Programme		1,732	1,650	1,763						
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	206,290	264,713	210,163	227,399	230,646	230,646	233,422	248,796	269,137

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the City.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Rand Water and Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's tariffs are largely outside the control of council. Discounting the impact of these price increases in lower consumer tariffs will erode the City's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement

etc. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the City has undertaken the tariff setting process relating to service charges as follows.

1.1 Property Rates

Council compiled a new valuation roll for the next five financial years. The valuation date will be July 2019 and there is a major increase in the values of the mines. The method used was as per agreement with the mines. The projected income for the mines will be R361.5 Million for 2019/2020. There is a great possibility that the mines will object to the values and therefore the income is not secured.

The percentage rebate granted to Pensioners accordingly to the different monthly household income levels will be determined according to the schedule below.

The proposed incomes and rebates for pensioners for the 2019 / 2020 financial year as follows: Gross Annual Household Income 2019/2020	% Rebate
R 1 To R 80 000	100%
R 80 001 to R 84 000	75%
R 84 001 to R 88 000	50%
R 88 001 to R 92 000	25%
R 92 001 and above	0%

The municipality does not propose an increase in the household incomes and percentage rebates for 2019/2020.

1.2 Sale of Electricity and Impact of Tariff Increases

The National Energy Regulator of South Africa (NERSA) published their new multi-year price determination for the period from 2019/20 to 2021/22 on 7 March 2019. NERSA has approved an increase of 9.41 per cent in the bulk supply to municipalities to Eskom for 2019/20 financial year.

The municipality will not be in a position to increase its tariffs to achieve a fully cost-reflective tariff due to high electricity losses. The municipality purchased 10.88% more electricity as at December 2018 and sold 6.04% less units. This is as a result of by-passed pre-paid meters that are currently in excess of 10800 meters. The average loss for the six months is 41.95% as at December 2018 compared to 33.86% for the 2017/2018 financial year.

The total loss per month can be estimated to be approximately R8.8 million based on the assumption of 600 units or R105.2 million for the financial year. Arrear recovery as stipulated in

the approved credit control policy cannot be fully effected due to the increased number of tampered prepaid electricity meters.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality has already implemented block tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading and extension of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The proposed tariffs were submitted to NERSA for approval.

1.3 Sale of Water and Impact of Tariff Increases

Rand Water has advised the municipality that they will increase their water tariffs to municipalities by 7.90% from the 1 July 2019. In light of the current drought experienced across large parts of the country, water is now a scarce resource that must be conserved.

Municipalities must put in place appropriate strategies to curb water losses as a result of leakages. The ageing infrastructure is a contributing factor as many municipalities have historically inadequately provided for repairs and maintenance and renewal of water infrastructure.

Water tariffs must be on aggregate fully cost-reflective – inclusive of bulk cost of water, the cost of maintenance and renewal of purification/treatment plants and network infrastructure, and the cost of new infrastructure.

Water tariffs must be structured to protect basic levels of service; and water tariffs must be designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs). The municipality has implemented block tariffs in the past.

The municipality is incorporating a higher tariff where consumers using more than 50 Kilo litres and in addition the increase will be in excess of the proposed tariff increase from Rand Water. Consumers that consumes excessive water will pay in excess than the proposed increase by Rand Water.

Water losses are out of control the average unaccounted for water stands at 47.10% as at December 2018. This is directly affecting council's tariffs. Other services cannot continuously subsidise water and therefore water tariffs will have to increase beyond the bulk increase from Rand Water.

The tariff structure of the 2019/20 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R38.50 per kilo liter for consumption in excess of 50kl per 30 day period.

Consumers that consumes excessive water, tariff increases will be in excess of Rand Water increase. The increase for the poor and consumers that use water wisely will be less than the bulk increase from Rand Water.

1.4 Sanitation and Impact of Tariff Increases

The proposed increase is not in-line with the guideline of 6% as the function is not cost reflective in 2019/2020 as councils tariffs are not fully cost reflective.

Sanitation tariffs must be on aggregate fully cost-reflective – inclusive of the cost of maintenance and renewal of purification/treatment plants and network infrastructure, and the cost of new infrastructure;

Sanitation tariffs must be structured to protect basic levels of service; and Sanitation tariffs must be designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs).

Sanitation tariffs are linked to the usage of water. This will result in that a separate tariff must be implemented for sanitation charges.

Merafong had implemented block tariffs in the past.

The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (6 kℓ water) will be applicable to registered indigents.

1.5 Waste Removal and impact of Tariff Increases

It is of utmost importance that refuse removal must be cost reflective. A further aspect that has a serious influence on solid waste tariffs is the rehabilitation of the landfill site. In addition due to the financial situation of council vacant posts are not filled and the current employees must work overtime to perform their tasks.

The tariffs for solid waste management must take into account that it is good practice to maintain a cash-backed reserve to cover the future costs of rehabilitating landfill sites. Council will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel, the cost of remuneration and the rehabilitation of the land fill site.

Considering the deficit, it is recommended that an audit on the provision of waste removal function should be undertaken.

1.6 Overall impact of Tariff increases on Households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.6 and 8.1 per cent.

Table 4 MBRR Table SA14 – Household bills

GT484 Merafong City - Supporting Table SA14 Household bills

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20 % incr.	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		577.99	619.13	662.46	705.52	705.52	705.52	6.0%	747.71	792.58	840.13
Electricity: Basic levy		64.70	70.00	71.16	76.51	76.51	76.51	9.4%	83.71	88.73	94.06
Electricity: Consumption		1,356.00	1,426.50	1,489.50	1,591.39	1,591.39	1,591.39	9.4%	1,741.15	1,845.62	1,956.36
Water: Basic levy											
Water: Consumption		325.50	364.56	396.75	441.18	441.18	441.18	7.1%	472.65	501.01	531.07
Sanitation		131.25	141.75	201.50	216.75	216.75	216.75	6.7%	231.18	245.05	259.75
Refuse removal		130.00	140.00	155.00	168.95	168.95	168.95	7.5%	181.62	192.52	204.07
Other											
sub-total		2,585.44	2,761.94	2,976.38	3,200.30	3,200.30	3,200.30	8.1%	3,458.02	3,665.50	3,885.43
VAT on Services		281.04	299.99	323.95	374.22	374.22	374.22	8.6%	406.55	430.94	456.80
Total large household bill:		2,866.48	3,061.93	3,300.32	3,574.52	3,574.52	3,574.52	8.1%	3,864.57	4,096.44	4,342.23
% increase/decrease		-	6.8%	7.8%	8.3%	-	-	8.1%	6.0%	6.0%	6.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		395.94	424.13	453.81	483.31	483.31	483.31	6.0%	512.21	542.94	575.52
Electricity: Basic levy		67.40	70.00	71.16	76.51	76.51	76.51	9.4%	83.71	88.73	94.06
Electricity: Consumption		551.00	572.00	605.17	646.56	646.56	646.56	9.4%	707.41	749.85	794.85
Water: Basic levy											
Water: Consumption		263.00	294.56	319.50	352.40	352.40	352.40	7.0%	376.90	399.51	423.48
Sanitation		109.25	118.00	176.00	189.00	189.00	189.00	6.6%	201.48	213.57	226.38
Refuse removal		130.00	140.00	155.00	168.95	168.95	168.95	7.5%	181.62	192.52	204.07
Other											
sub-total		1,516.59	1,618.69	1,780.65	1,916.73	1,916.73	1,916.73	7.6%	2,063.33	2,187.13	2,318.36
VAT on Services		156.89	167.24	185.76	215.01	215.01	215.01	8.2%	232.67	246.63	261.43
Total small household bill:		1,673.48	1,785.92	1,966.40	2,131.74	2,131.74	2,131.74	7.7%	2,296.00	2,433.76	2,579.78
% increase/decrease		-	6.7%	10.1%	8.4%	-	-	7.7%	6.0%	6.0%	6.0%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		213.90	229.13	245.16	261.10	261.10	261.10	6.0%	276.71	293.31	310.91
Electricity: Basic levy		67.40	70.00	71.16	76.51	76.51	76.51	9.4%	83.71	88.73	94.06
Electricity: Consumption		339.50	366.66	372.90	398.38	398.38	398.38	9.4%	435.88	462.03	489.75
Water: Basic levy											
Water: Consumption		200.50	224.56	242.25	263.66	263.66	263.66	6.6%	281.15	298.02	315.90
Sanitation		87.25	94.25	150.50	161.25	161.25	161.25	6.5%	171.78	182.09	193.01
Refuse removal		130.00	140.00	155.00	168.95	168.95	168.95	7.5%	181.62	192.52	204.07
Other											
sub-total		1,038.55	1,124.60	1,236.98	1,329.85	1,329.85	1,329.85	7.6%	1,430.85	1,516.70	1,607.70
VAT on Services		115.45	125.83	138.85	160.31	160.31	160.31	8.0%	173.12	183.51	194.52
Total small household bill:		1,154.00	1,250.43	1,375.83	1,490.16	1,490.16	1,490.16	7.6%	1,603.97	1,700.21	1,802.22
% increase/decrease		-	8.4%	10.0%	8.3%	-	-	7.6%	6.0%	6.0%	6.0%

2 Operating Expenditure Framework

For Merafong City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Expenditure has been trimmed in areas that will not adversely affect service delivery, or where programmes are underperforming.

The following table is a high level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Expenditure By Type									
Employee related costs	296,105	291,183	327,450	380,433	347,020	347,020	369,651	391,830	415,340
Remuneration of councillors	19,795	19,884	21,053	23,361	26,410	26,410	27,731	29,395	31,158
Debt impairment	227,206	272,961	354,760	241,760	298,972	298,972	323,207	342,600	363,156
Depreciation & asset impairment	43,488	36,599	92,083	28,361	28,361	28,361	28,361	28,361	28,361
Finance charges	9,969	23,440	31,643	22,600	33,343	33,343	33,343	34,600	35,932
Bulk purchases	382,314	391,829	426,709	473,253	512,656	512,656	557,254	607,407	662,074
Other materials	11,840	16,741		913	1,693	1,693	1,252	1,277	1,302
Contracted services	81,952	64,681	73,060	155,093	106,350	106,350	85,856	90,066	95,406
Transfers and grants	26,548	9,019	204	1,465	10	10	2,510	2,510	2,511
Other expenditure	80,537	184,135	87,076	59,950	95,888	95,888	128,868	130,928	115,234
Loss on disposal of PPE									
Total Expenditure	1,179,754	1,310,473	1,414,038	1,387,189	1,450,703	1,450,703	1,558,035	1,658,974	1,750,475
Surplus/(Deficit)	(135,376)	(134,296)	(255,596)	(189,901)	(181,938)	(181,938)	116,713	117,629	138,138
Transfers recognised - capital	141,697	119,244	167,333	202,838	289,590	289,590	161,830	163,144	174,559
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Taxation									
Surplus/(Deficit) after taxation	6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Share of surplus/ (deficit) of associate									
Surplus/ (Deficit) for the year	6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698

2.1 Employee Related Costs

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 30 June 2021 dated 15 August 2018 through the South African Local Government Bargaining Council Circular No. 6 of 2018 was used.

The agreement for 2019/2020 is as follows:

- Salary increases will be based on projected CPI plus 1.5% and it is proposed that an increase of 6.5% be provided for.

Due to the municipality's poor financial situation only critical positions can be filled in 2019/2020.

It is envisaged that salaries as a percentage of Councils budget will be 22.4% which is well below the prescribed 35%.

2.2 Councillors Remuneration

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget. The percentage provided for is 5%

2.3 Bulk Purchases: Electricity

The National Energy Regulator of South Africa (NERSA) develops the municipal tariff guideline increase based on Eskom's approved bulk price increase of electricity to municipalities and the increase on the municipalities' cost structures.

This is based on a bulk tariff increase for municipalities of 9.41 per cent.

2.4 Bulk Purchases: Water

Rand Water had advised council that they will increase their water tariffs to municipalities by 7.9% from the 1 July 2019.

2.5 Debt Impairment

The provision of debt impairment was determined based on an annual collection rate of 70.00 per cent and the Debt Write-off Policy of Council. For the 2018/19 financial year this amount equates to R323 million.

The large tariff increases, and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment were counterproductive, resulting in higher levels of non-payment and increased bad debts.

Council's average payment levels for the past six months were 64.99%. Council budgeted for a payment level of 70.00% for the 2018/2019 financial year.

Council had conducted an outreach program to promote the payment of services. Council had commenced with serious credit control actions in all areas of Merafong.

A revenue enhancement strategy was developed and the roll out plan has commenced. A no tolerance approach in terms of council's credit control policy will be enforced on non-indigent defaulters.

Defaulters of assessment rates by property owners and farmers must be addressed.

The non-payment of services by consumers is a serious situation. The effect of this is that council is not in a position to service its supplier's accounts on time. In addition council will have to increase the provision for bad debt.

Blyvooruitzicht was placed under liquidation and when the Municipality discontinued the provision of water in mine, the community of Blyvooruitzicht and the Human Rights lawyers obtained an interdict to ensure a continuous provision of water. Municipal Council has approached the court to set aside the interdict. The court had ruled that Council can reduce the water by 40% and the residents must pay council R150 per month.

It's anticipated that the average payment level for 2019/2020 will be 70%.

2.6 Depreciation

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R106 million for the 2018/19 financial year.

Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

2.7 Finance Charges

As previously noted, the municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in an increase in finance charges as a percentage of operational expenditure increasing.

A serious concern is that presently interest is being paid on the Eskom and Rand Water overdue accounts. Although council had entered into repayment agreements they still charge council interest on the outstanding accounts.

2.8 Contracted Services

A needs analysis for provision of fleet was performed and it is envisaged that with the improved control mechanisms that have been put in place, the municipality will be able to reduce the expenditure cost for provision of fleet.

The municipality has reviewed all contracts and where it was possible the contracts were scaled down in line with council's cash flow situation.

A value for money system has been implemented in the supply chain management process in order to ensure that exorbitant prices are not paid during the procurement process.

2.9 General Expenses

Council experience serious cash flow constraints and therefore General Expenses will have to be curtailed.

It is recommended that general expenses must increase by 2%. This includes the increase in fuel costs and rising inflation. This will result that we will have to do a zero base budget. Entertainment, Travel and Subsistence, Attendance of Conferences, Food at meetings cannot be provided for in the 2019/2020 budget.

The management of safety clothes will have to be looked at. A policy must be developed to prevent the demand for different types of clothes by different departments.

2.10 Repairs and Maintenance.

The classification of Repairs and Maintenance in MsCOA will fall away. The expenditure will be allocated as follows:

- Suppliers and contractors expenditure will be recognized as Contracted services.
- Material and stock used by our own staff will be classified as Material.

Although there will be a reclassification councils must still report on Repairs and Maintenance.

It was planned that repairs and maintenance must increase by 20% per year to ensure that council will extend the life span of the existing assets and not need to replace them.

Repairs and Maintenance is a high focus area in the country and municipality. The serious situation is affecting service delivery and assets need to be maintained in order to improve their lifespan.

Due to the serious cash flow situation of council, council will not be in a position to increase the budget by 20%.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Council's Indigent Policy. The target is to register 22 000 or more indigent households during the 2019/20 financial year, a process reviewed annually. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

3 CAPITAL EXPENDITURE

Table 6 - 2019/20 Medium-term capital budget per vote

GT484 Merafong City - Table A9 Asset Management										
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
CAPITAL EXPENDITURE										
Total Capital Expenditure	4	149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
<i>Roads Infrastructure</i>		96,795	24,451	30,735	29,938	28,938	28,938	30,790	29,240	34,999
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		21,596	27,759	37,296	16,000	26,344	26,344	15,600	20,711	27,214
<i>Water Supply Infrastructure</i>		7,704	27,155	56,758	168,980	152,806	152,806	62,944	53,000	40,000
<i>Sanitation Infrastructure</i>		103	8,622	3,749	16,006	67,653	67,653	47,497	53,193	64,108
<i>Solid Waste Infrastructure</i>		-	-	-	1,100	8,275	8,275	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		126,197	87,987	128,538	232,025	284,016	284,016	156,831	156,144	166,321
Community Facilities		15,050	22,584	40,572	19,947	16,627	16,627	3,674	7,000	8,239
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		15,050	22,584	40,572	19,947	16,627	16,627	3,674	7,000	8,239
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		555	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		555	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		7,400	3,387	1,290	1,460	1,460	1,460	2,785	1,460	1,460
Machinery and Equipment		-	-	-	2,000	2,000	2,000	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020

For 2019/20 an amount of R163.29 Million has been appropriated for the development of infrastructure which represents 99 per cent of the total capital budget.

Table 7 Capital Transfers and Grant Receipts

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Capital Transfers and Grants										
National Government:		70,769	131,585	95,428	135,938	171,295	171,295	113,561	116,200	125,033
<u>Municipal Infrastructure Grant (MIG)</u>		56,008	52,519	65,428	64,938	64,938	64,938	62,961	66,475	71,529
<i>National Electrification Programme</i>		10,000	15,000	10,000	16,000	16,133	16,133	15,600	12,800	13,504
<i>Water Services Infrastructure Grant</i>			-		55,000	66,308	66,308	35,000	36,925	40,000
<i>Department of Water and Sanitation</i>			8,000	20,000						
<i>Energy Efficiency and Demand Side Management</i>			-							
<i>Disaster Grant</i>			36,067			23,917	23,917			
<i>Municipal Water Infrastructure grant</i>		4,761	20,000							
<i>Other capital transfers/grants [insert desc]</i>										
Provincial Government:		68,796	26,282	139,701	66,900	118,295	118,295	48,269	46,944	49,526
<i>Human Settlement Grant</i>		63,896	26,282	139,701	46,900	98,295	98,295	46,944	46,944	49,526
Department of Sports, arts, culture and recreation								1,325		
Dept Water and Sanitation		4,900			20,000	20,000	20,000			
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
HIV Programme										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	139,566	157,867	235,129	202,838	289,590	289,590	161,830	163,144	174,559

Local government grants and additional allocations

Since the 2018 Medium Term Budget Policy Statement (MTBPS) reprioritisation and reductions undertaken have affected planned spending for 2018/19. Over the next three years there is strong growth in allocations to the local government equitable share, while growth in conditional grants recovers following significant reductions made in the 2018 MTEF. Total direct allocations to local government will now grow at an annual average rate of 7.6 per cent over the MTEF period.

In the process of determining the baseline for the outer year (2021/22) of the 2019 MTEF period, the local government equitable share allocation has grown by 8.6 per cent of the baseline. This will cover the anticipated increase in the costs of providing free basic services to a growing number of households, and takes account of likely above-inflation increases in the costs of bulk water and electricity. It will also allow for above-inflation increases in the allocations to poorer and rural municipalities through the redistributive components of the equitable share formula.

Conditional grants

A total of R295.9 million has been cut from direct local government conditional grant allocations for the MTEF period ahead to fund other government priorities. Indirect grants to local government have been reduced by an additional R600 million.

4 Annual Budget Tables - Parent Municipality

The following 20 pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 8 MBRR Table A1 - Budget Summary

GT484 Merafong City - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands									
Financial Performance									
Property rates	150,416	161,530	171,323	185,386	181,725	181,725	536,696	568,897	603,031
Service charges	599,702	618,294	624,718	655,291	706,267	706,267	748,459	793,367	840,969
Investment revenue	1,381	1,319	15,236	6,500	8,871	8,871	8,871	9,403	9,967
Transfers recognised - operational	206,290	264,713	205,203	227,399	230,646	230,646	233,422	248,796	269,137
Other own revenue	86,589	130,322	141,963	122,712	141,257	141,257	147,301	156,141	165,510
Total Revenue (excluding capital transfers and contributions)	1,044,378	1,176,178	1,158,442	1,197,288	1,268,765	1,268,765	1,674,748	1,776,603	1,888,613
Employee costs	296,105	291,183	327,450	380,433	347,020	347,020	369,651	391,830	415,340
Remuneration of councillors	19,795	19,884	21,053	23,361	26,410	26,410	27,731	29,395	31,158
Depreciation & asset impairment	43,488	36,599	92,083	28,361	28,361	28,361	28,361	28,361	28,361
Finance charges	9,969	23,440	31,643	22,600	33,343	33,343	33,343	34,600	35,932
Materials and bulk purchases	394,154	408,570	426,709	474,165	514,349	514,349	558,506	608,684	663,376
Transfers and grants	26,548	9,019	204	1,465	10	10	2,510	2,510	2,511
Other expenditure	389,694	521,777	514,895	456,804	501,210	501,210	537,932	563,594	573,796
Total Expenditure	1,179,754	1,310,473	1,414,038	1,387,189	1,450,703	1,450,703	1,558,035	1,658,974	1,750,475
Surplus/(Deficit)	(135,376)	(134,296)	(255,596)	(189,901)	(181,938)	(181,938)	116,713	117,629	138,138
Transfers and subsidies - capital (monetary allocations) (Na	141,697	119,244	167,333	202,838	289,590	289,590	161,830	163,144	174,559
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Capital expenditure & funds sources									
Capital expenditure	149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
Transfers recognised - capital	130,181	92,869	167,333	251,972	286,343	286,343	161,830	163,144	174,560
Borrowing	9,996	12,838	1,992	-	-	-	-	-	-
Internally generated funds	9,025	8,252	1,074	3,460	17,760	17,760	1,460	1,460	1,460
Total sources of capital funds	149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
Financial position									
Total current assets	333,818	468,612	303,922	302,275	302,275	302,275	267,025	274,866	274,866
Total non current assets	3,029,977	3,022,715	3,071,267	3,283,592	3,317,964	3,317,964	3,375,028	3,433,406	3,503,200
Total current liabilities	422,730	642,263	661,240	594,328	651,906	651,906	408,485	278,133	119,431
Total non current liabilities	218,199	211,223	227,578	196,988	196,988	196,988	227,578	221,241	214,904
Community wealth/Equity	2,722,865	2,637,842	2,486,371	2,794,552	2,771,345	2,771,345	3,005,989	3,208,898	3,443,731
Cash flows									
Net cash from (used) operating	126,292	231,193	59,493	32,087	111,366	207,170	341,802	346,039	379,976
Net cash from (used) investing	(142,102)	(103,987)	(170,399)	(124,299)	(289,803)	(289,803)	(163,290)	(164,604)	(176,020)
Net cash from (used) financing	14,651	(5,552)	(5,977)	(4,888)	(4,888)	(4,888)	(6,337)	(6,337)	(6,337)
Cash/cash equivalents at the year end	84,789	206,444	89,561	(353,698)	(439,922)	(344,118)	(171,943)	3,154	200,773
Cash backing/surplus reconciliation									
Cash and investments available	88,960	206,444	89,561	-	-	-	-	-	-
Application of cash and investments	187,559	408,226	421,843	277,654	353,546	353,546	113,717	(22,329)	(181,030)
Balance - surplus (shortfall)	(98,599)	(201,782)	(332,282)	(277,654)	(353,546)	(353,546)	(113,717)	22,329	181,030
Asset management									
Asset register summary (WDV)	3,025,805	3,022,715	3,071,627	3,283,592	3,317,964	3,317,964	3,375,028	3,433,406	3,503,200
Depreciation	121,353	114,464	105,651	106,226	106,226	106,226	106,226	106,226	106,226
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	72,169	60,869	64,108
Repairs and Maintenance	11,760	16,751	7,486	39,812	39,812	39,812	47,481	50,251	53,186
Free services									
Cost of Free Basic Services provided	6,430	8,049	6,755	32,179	32,179	32,179	6,755	6,755	6,755
Revenue cost of free services provided	157,742	147,186	45,227	290,469	290,469	290,469	100,863	107,320	114,164
Households below minimum service level									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	0	0	0	0	0	0	0	0	0
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	59	59	59	59	59	59	59	59	59

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 9 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

GT484 Merafong City - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		389,401	417,201	489,205	338,227	332,380	332,380	698,041	739,066	781,842
Executive and council		2,987	2,496	3,529	1,648	2,060	2,060	2,250	2,320	1,685
Finance and administration		385,332	413,559	485,676	336,579	330,320	330,320	695,791	736,746	780,157
Internal audit		1,083	1,146	-	-	-	-	-	-	-
<i>Community and public safety</i>		54,299	60,532	149,568	68,847	69,109	69,109	48,063	48,987	51,748
Community and social services		9,990	13,669	16,154	16,133	16,433	16,433	21,680	21,021	22,104
Sport and recreation		263	312	-	-	-	-	-	-	-
Public safety		25,644	45,309	50,430	50,922	50,922	50,922	24,593	26,069	27,633
Housing		18,403	1,242	82,983	1,792	1,754	1,754	1,790	1,897	2,011
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		147,724	206,357	108,938	226,983	316,421	316,421	166,429	167,289	179,009
Planning and development		147,724	166,645	108,938	205,666	295,104	295,104	166,429	167,289	179,009
Road transport		-	39,712	-	21,317	21,317	21,317	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		599,986	619,225	633,019	833,686	840,433	840,433	924,045	984,385	1,050,573
Energy sources		253,166	261,973	251,510	319,030	349,518	349,518	303,761	322,057	340,538
Water management		253,089	259,097	266,485	355,098	337,226	337,226	419,209	444,642	471,619
Waste water management		38,682	39,049	49,868	67,860	67,006	67,006	116,049	123,309	131,025
Waste management		55,048	59,106	65,156	91,698	86,684	86,684	85,026	94,376	107,391
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	1,191,410	1,303,315	1,380,730	1,467,743	1,558,344	1,558,344	1,836,578	1,939,728	2,063,172
Expenditure - Functional										
<i>Governance and administration</i>		416,885	413,526	613,453	495,215	512,584	512,584	541,647	561,503	565,577
Executive and council		83,984	19,028	68,096	89,633	63,936	63,936	67,624	70,258	74,105
Finance and administration		329,395	391,551	542,884	401,341	445,088	445,088	470,237	487,234	487,221
Internal audit		3,506	2,947	2,473	4,241	3,560	3,560	3,786	4,012	4,251
<i>Community and public safety</i>		112,943	103,872	147,302	126,888	115,689	115,689	120,841	126,924	133,349
Community and social services		40,202	20,742	58,313	34,291	27,955	27,955	28,524	30,061	31,686
Sport and recreation		23,748	20,242	19,183	22,651	19,568	19,568	20,829	22,075	23,396
Public safety		24,938	58,829	65,073	63,333	60,636	60,636	63,482	66,305	69,277
Housing		23,997	4,048	4,733	6,613	7,530	7,530	8,006	8,483	8,990
Health		58	11	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		86,168	209,880	79,623	82,840	70,489	70,489	52,629	55,715	58,984
Planning and development		16,713	119,694	18,840	22,808	17,709	17,709	18,779	19,834	20,951
Road transport		69,455	90,186	60,783	60,033	52,780	52,780	33,850	35,881	38,033
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		641,624	661,060	703,127	821,638	829,807	829,807	920,783	992,697	1,070,429
Energy sources		238,309	268,967	283,562	357,418	371,418	371,418	420,794	454,950	491,957
Water management		299,579	298,925	318,410	361,003	364,807	364,807	413,127	445,716	480,963
Waste water management		41,996	31,704	36,592	33,515	23,700	23,700	25,475	27,000	28,616
Waste management		61,741	61,464	64,563	69,701	69,882	69,882	61,387	65,031	68,894
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	1,257,619	1,388,338	1,543,506	1,526,581	1,528,569	1,528,569	1,635,900	1,736,839	1,828,340
Surplus/(Deficit) for the year		(66,209)	(85,023)	(162,776)	(58,837)	29,776	29,776	200,678	202,889	234,833

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas. Municipal revenue, operating expenditure

and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions and Waste management function.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services

Table 10 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

GT484 Merafong City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Revenue by Vote	1									
Municipal Manager		3,311	5,122	3,529	1,648	1,060	1,060	1,500	1,590	1,685
Finance		401,111	451,559	484,657	333,534	347,087	347,087	716,978	759,204	803,962
Economic Development and Planning		912	791	833	1,148	598	598	1,813	1,922	2,037
Chief Operating Officer		-	-	-	1,000	1,000	1,000	750	750	-
Infrastructure Development		673,207	710,335	676,434	968,175	1,051,275	1,051,275	982,079	1,032,527	1,095,934
Community Services		94,007	133,400	131,528	158,647	153,780	153,780	131,036	141,187	156,831
Housing		18,403	1,242	82,983	1,315	1,179	1,179	-	-	-
Shared Services		459	865	765	2,277	2,375	2,375	2,423	2,568	2,722
Total Revenue by Vote	2	1,191,410	1,303,315	1,380,730	1,467,744	1,558,355	1,558,355	1,836,578	1,939,748	2,063,172
Expenditure by Vote <i>(to be appropriated)</i>	1									
Municipal Manager		62,538	64,388	68,096	71,568	50,930	50,930	52,548	55,359	58,334
Finance		197,886	271,955	389,052	263,779	296,218	296,218	295,956	306,349	317,177
Economic Development and Planning		12,733	12,163	11,594	15,417	12,700	12,700	21,507	22,773	24,115
Chief Operating Officer		9,328	8,605	10,392	13,534	8,224	8,224	9,987	9,511	10,065
Infrastructure Development		710,480	767,165	759,639	828,005	826,510	826,510	907,786	978,831	1,055,639
Community Services		157,180	185,133	193,826	215,946	203,080	203,080	200,826	211,684	223,170
Housing		25,243	5,796	4,733	6,607	7,530	7,530	-	-	-
Shared Services		82,231	73,132	106,173	111,725	123,376	123,376	147,290	152,333	139,840
Total Expenditure by Vote	2	1,257,619	1,388,338	1,543,506	1,526,581	1,528,569	1,528,569	1,635,900	1,736,839	1,828,340
Surplus/(Deficit) for the year	2	(66,209)	(85,023)	(162,776)	(58,837)	29,786	29,786	200,678	202,909	234,833

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue By Source										
Property rates	2	150,416	161,530	171,323	185,386	181,725	181,725	536,696	568,897	603,031
Service charges - electricity revenue	2	252,958	261,751	246,921	273,707	307,036	307,036	267,584	283,639	300,657
Service charges - water revenue	2	253,089	258,526	265,044	294,017	283,291	283,291	362,742	384,506	407,577
Service charges - sanitation revenue	2	38,681	39,042	48,656	29,090	50,240	50,240	55,903	59,257	62,812
Service charges - refuse revenue	2	54,973	58,974	64,097	58,477	65,700	65,700	62,231	65,965	69,923
Rental of facilities and equipment		818	1,242	1,104	2,340	2,376	2,376	2,495	2,645	2,804
Interest earned - external investments		1,381	1,319	15,236	6,500	8,871	8,871	8,871	9,403	9,967
Interest earned - outstanding debtors		5,602	7,318	89,587	93,004	106,967	106,967	113,559	120,373	127,595
Dividends received						-	-	-		
Fines, penalties and forfeits		54,674	73,424	39,585	10,836	6,655	6,655	7,435	7,882	8,355
Licences and permits		13,496	30,927	10,607	16,397	16,398	16,398	17,382	18,427	19,532
Agency services		11,411	14,321			-	-	-		
Transfers and subsidies		206,290	264,713	205,203	227,399	230,646	230,646	233,422	248,796	269,137
Other revenue	2	538	191	1,079	135	8,860	8,860	6,429	6,815	7,224
Gains on disposal of PPE		48	2,900							
Total Revenue (excluding capital transfers and contributions)		1,044,378	1,176,178	1,158,442	1,197,288	1,268,765	1,268,765	1,674,748	1,776,603	1,888,613
Expenditure By Type										
Employee related costs	2	296,105	291,183	327,450	380,433	347,020	347,020	369,651	391,830	415,340
Remuneration of councillors		19,795	19,884	21,053	23,361	26,410	26,410	27,731	29,395	31,158
Debt impairment	3	227,206	272,961	354,760	241,760	298,972	298,972	323,207	342,600	363,156
Depreciation & asset impairment	2	43,488	36,599	92,083	28,361	28,361	28,361	28,361	28,361	28,361
Finance charges		9,969	23,440	31,643	22,600	33,343	33,343	33,343	34,600	35,932
Bulk purchases	2	382,314	391,829	426,709	473,253	512,656	512,656	557,254	607,407	662,074
Other materials	8	11,840	16,741		913	1,693	1,693	1,252	1,277	1,302
Contracted services		81,952	64,681	73,060	155,093	106,350	106,350	85,856	90,066	95,406
Transfers and subsidies		26,548	9,019	204	1,465	10	10	2,510	2,510	2,511
Other expenditure	4, 5	80,537	184,135	87,076	59,950	95,888	95,888	128,868	130,928	115,234
Loss on disposal of PPE										
Total Expenditure		1,179,754	1,310,473	1,414,038	1,387,189	1,450,703	1,450,703	1,558,035	1,658,974	1,750,475
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(135,376)	(134,296)	(255,596)	(189,901)	(181,938)	(181,938)	116,713	117,629	138,138
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	141,697	119,244	167,333	202,838	289,590	289,590	161,830	163,144	174,559
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Taxation										
Surplus/(Deficit) after taxation		6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698
Share of surplus/ (deficit) of associate	7									
Surplus/(Deficit) for the year		6,321	(15,051)	(88,262)	12,937	107,652	107,652	278,544	280,774	312,698

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Total operating revenue has increased by 32.0 per cent or R406.0 million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational

revenue will increase by R101.9 and R112.1 Million respectively, equating to a total increase in revenue of R601.439 million over the MTREF when compared to the 2018/19 financial year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R1,635.9 billion and translates into a budgeted surplus of R38.8 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has increased by R107.3 Million or 7.4 per cent in the 2019/20 budget and increase by R101.0 and Million R91.5 Million for each of the respective outer years of the MTREF. The operating surplus for the two outer years will increase for the two outer years.

The capital budget of R163.3 Million for 2019/20 is 46 per cent less when compared to the 2018/19 Adjustment Budget. Note that the Council has reached its prudential borrowing limits and so there is no scope to increase these borrowing levels over the medium-term.

Council is in a position to table a funded budget. Its projected that council will have a surplus of R38.8 Million for 2019/2020.

Table 12 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Capital expenditure - Vote										
Multi-year expenditure, to be appropriated	2									
Municipal Manager		-	-	-	-	-	-	-	-	-
Finance		-	-	-	-	-	-	-	-	-
Economic Development and Planning		-	-	-	-	-	-	-	-	-
Chief Operating Officer		-	-	-	-	-	-	-	-	-
Infrastructure Development		-	-	-	-	-	-	-	-	-
Community Services		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-
Single-year expenditure, to be appropriated	2									
Municipal Manager		-	-	-	-	-	-	-	-	-
Finance		320	3,387	1,290	1,460	1,460	1,460	1,460	1,460	1,460
Economic Development and Planning		1,789	457	-	3,674	-	-	3,674	7,000	8,239
Chief Operating Officer		-	-	-	-	-	-	-	-	-
Infrastructure Development		138,002	102,546	167,312	248,298	282,916	282,916	156,831	156,144	166,321
Community Services		9,090	7,568	1,797	2,000	19,727	19,727	1,325	-	-
Housing		-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
Total Capital Expenditure - Vote		149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
Capital Expenditure - Functional										
Governance and administration		7,955	3,387	1,290	1,460	1,460	1,460	1,460	1,460	1,460
Executive and council			105							
Finance and administration		7,401	3,282	1,290	1,460	1,460	1,460	1,460	1,460	1,460
Internal audit		555	-	-	-	-	-	-	-	-
Community and public safety		15,050	22,584	40,572	19,373	19,727	19,727	4,999	7,000	8,239
Community and social services		15,050	22,584	40,572	17,373	17,727	17,727	4,999	7,000	8,239
Sport and recreation					2,000	2,000	2,000			
Public safety										
Housing										
Health										
Economic and environmental services		96,795	24,451	30,735	33,612	28,938	28,938	30,790	29,240	34,999
Planning and development					3,674	-	-			
Road transport		96,795	24,451	30,735	29,938	28,938	28,938	30,790	29,240	34,999
Environmental protection										
Trading services		29,403	63,535	97,803	200,987	246,803	246,803	126,041	126,904	131,322
Energy sources		21,596	27,759	37,296	16,000	26,344	26,344	15,600	20,711	27,214
Water management		7,704	27,155	56,758	168,980	152,806	152,806	62,944	53,000	40,000
Waste water management		103	8,622	3,749	16,006	67,653	67,653	47,497	53,193	64,108
Waste management						-	-			
Other						7,175	7,175			
Total Capital Expenditure - Functional	3	149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
Funded by:										
National Government		61,105	70,926	97,672	132,691	132,691	132,691	113,561	116,200	125,034
Provincial Government		64,578	21,942	69,661	119,280	153,651	153,651	48,269	46,944	49,526
District Municipality		4,499	-	-	-	-	-	-	-	-
Other transfers and grants										
Transfers recognised - capital	4	130,181	92,869	167,333	251,972	286,343	286,343	161,830	163,144	174,560
Borrowing	6	9,996	12,838	1,992						
Internally generated funds		9,025	8,252	1,074	3,460	17,760	17,760	1,460	1,460	1,460
Total Capital Funding	7	149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R163.3 million for the 2019/20 financial year and increases over the MTREF at levels of R164.6 million and to R176.0 million respectively for the two outer years.
4. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2019/20, capital transfers totals R161.8 million increasing to R176.0 million by 2021/22.

Table 13 MBRR Table A6 - Budgeted Financial Position

GT484 Merafong City - Table A6 Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
ASSETS										
Current assets										
Cash		84,789	206,444	89,561						
Call investment deposits	1	–	–	–	–	–	–	–	–	–
Consumer debtors	1	188,357	197,499	177,102	237,606	237,606	237,606	237,606	237,606	237,606
Other debtors		2,013	4,281	7,841	39,490	39,490	39,490	6,438	14,279	14,279
Current portion of long-term receivables		27,809	35,209	6,438						
Inventory	2	30,849	25,180	22,981	25,180	25,180	25,180	22,981	22,981	22,981
Total current assets		333,818	468,612	303,922	302,275	302,275	302,275	267,025	274,866	274,866
Non current assets										
Long-term receivables										
Investments		4,171								
Investment property										
Investment in Associate										
Property, plant and equipment	3	3,022,834	3,020,211	3,069,235	3,281,285	3,315,656	3,315,656	3,372,720	3,431,099	3,500,892
Biological										
Intangible		2,775	2,308	1,834	2,308	2,308	2,308	2,308	2,308	2,308
Other non-current assets		197	197	197						
Total non current assets		3,029,977	3,022,715	3,071,267	3,283,592	3,317,964	3,317,964	3,375,028	3,433,406	3,503,200
TOTAL ASSETS		3,363,794	3,491,328	3,375,189	3,585,868	3,620,239	3,620,239	3,642,053	3,708,272	3,778,066
LIABILITIES										
Current liabilities										
Bank overdraft	1									
Borrowing	4	5,464	5,987	6,338	4,888	4,888	4,888	6,337	6,337	6,337
Consumer deposits		12,687	13,664	14,977	15,620	15,620	15,620	14,977	14,977	14,977
Trade and other payables	4	374,803	591,370	602,473	538,559	596,137	596,137	349,719	219,367	60,665
Provisions		29,777	31,242	37,452	35,261	35,261	35,261	37,452	37,452	37,452
Total current liabilities		422,730	642,263	661,240	594,328	651,906	651,906	408,485	278,133	119,431
Non current liabilities										
Borrowing		99,510	64,074	57,748	54,184	54,184	54,184	57,748	51,411	45,074
Provisions		118,689	147,149	169,830	142,804	142,804	142,804	169,830	169,830	169,830
Total non current liabilities		218,199	211,223	227,578	196,988	196,988	196,988	227,578	221,241	214,904
TOTAL LIABILITIES		640,930	853,486	888,818	791,316	848,894	848,894	636,063	499,374	334,335
NET ASSETS	5	2,722,865	2,637,842	2,486,371	2,794,552	2,771,345	2,771,345	3,005,989	3,208,898	3,443,731
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		2,722,865	2,637,842	2,486,371	2,794,552	2,771,345	2,771,345	3,005,989	3,208,898	3,443,731
Reserves	4	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	2,722,865	2,637,842	2,486,371	2,794,552	2,771,345	2,771,345	3,005,989	3,208,898	3,443,731

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 14 MBRR Table A7 - Budgeted Cash Flow Statement

GT484 Merafong City - Table A7 Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		148,078	126,211	112,876	132,576	136,477	136,477	482,493	511,443	542,130
Service charges		424,397	467,267	424,761	539,009	527,151	527,151	523,921	555,357	588,678
Other revenue		26,314	46,570	80,306	58,208	48,032	48,032	33,742	35,768	37,914
Government - operating	1	198,657	309,719	267,269	251,910	230,646	230,646	233,422	248,796	269,137
Government - capital	1	144,369	105,870	178,023	120,339	237,209	289,590	161,830	163,144	174,559
Interest		11,070	12,842	14,230	62,553	76,253	76,253	88,264	93,664	99,284
Dividends						-	-	-	-	-
Payments										
Suppliers and employees		(816,623)	(825,466)	(986,328)	(1,120,109)	(1,111,049)	(1,067,626)	(1,148,527)	(1,227,533)	(1,295,794)
Finance charges		(9,969)	(11,820)	(31,643)	(12,400)	(33,343)	(33,343)	(33,343)	(34,600)	(35,932)
Transfers and Grants	1					(10)	(10)	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		126,292	231,193	59,493	32,087	111,366	207,170	341,802	346,039	379,976
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		7,100	5,800					-	-	-
Decrease (Increase) in non-current debtors								-	-	-
Decrease (Increase) other non-current receivables								-	-	-
Decrease (Increase) in non-current investments			4,171					-	-	-
Payments										
Capital assets		(149,202)	(113,958)	(170,399)	(124,299)	(289,803)	(289,803)	(163,290)	(164,604)	(176,020)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(142,102)	(103,987)	(170,399)	(124,299)	(289,803)	(289,803)	(163,290)	(164,604)	(176,020)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-	-	-
Borrowing long term/refinancing		30,300						-	-	-
Increase (decrease) in consumer deposits		3						-	-	-
Payments										
Repayment of borrowing		(15,652)	(5,552)	(5,977)	(4,888)	(4,888)	(4,888)	(6,337)	(6,337)	(6,337)
NET CASH FROM/(USED) FINANCING ACTIVITIES		14,651	(5,552)	(5,977)	(4,888)	(4,888)	(4,888)	(6,337)	(6,337)	(6,337)
NET INCREASE/ (DECREASE) IN CASH HELD										
		(1,159)	121,654	(116,883)	(97,100)	(183,324)	(87,520)	172,175	175,098	197,619
Cash/cash equivalents at the year begin:	2	85,948	84,789	206,444	(256,598)	(256,598)	(256,598)	(344,118)	(171,943)	3,154
Cash/cash equivalents at the year end:	2	84,789	206,444	89,561	(353,698)	(439,922)	(344,118)	(171,943)	3,154	200,773

Table 15 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

GT484 Merafong City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Cash and investments available										
Cash/cash equivalents at the year end	1	84,789	206,444	89,561	(353,698)	(439,922)	(344,118)	(171,943)	3,154	200,773
Other current investments > 90 days		0	0	-	353,698	439,922	344,118	171,943	(3,154)	(200,773)
Non current assets - Investments	1	4,171	-	-	-	-	-	-	-	-
Cash and investments available:		88,960	206,444	89,561	-	-	-	-	-	-
Application of cash and investments										
Unspent conditional transfers		15,123	49,306	122,933	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2									
Other working capital requirements	3	172,437	358,920	298,909	277,654	353,546	353,546	113,717	(22,329)	(181,030)
Other provisions										
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
Total Application of cash and investments:		187,559	408,226	421,843	277,654	353,546	353,546	113,717	(22,329)	(181,030)
Surplus(shortfall)		(98,599)	(201,782)	(332,282)	(277,654)	(353,546)	(353,546)	(113,717)	22,329	181,030

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality decrease from the 2014/15 financial year to 2018/19 period owing directly to a net decrease in cash but there is a turnaround in 2019/2020.
4. Cash and cash equivalents totals R171.9 Million overdraft as at the end of the 2019/20 financial year and increases to R200.8 Million surplus by 2021/22.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As can be seen the budget is not funded as the deficit of R113.8 Million in 2019/20 will increase to a surplus of R181million by 2021/22.

Table 16 MBRR Table A9 - Asset Management

GT484 Merafong City - Table A9
Asset Management

Description R thousand	R ef	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcom e	Audited Outcom e	Audited Outcom e	Original Budget	Adjuste d Budget	Full Year Forecas t	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	149,202	113,958	170,399	255,432	304,103	304,103	91,121	103,735	111,912
<i>Roads Infrastructure</i>		96,795	24,451	30,735	29,938	28,938	28,938	30,790	29,240	34,999
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		21,596	27,759	37,296	16,000	26,344	26,344	15,600	20,711	27,214
<i>Water Supply Infrastructure</i>		7,704	27,155	56,758	168,980	152,806	152,806	20,000	38,000	40,000
<i>Sanitation Infrastructure</i>		103	8,622	3,749	16,006	67,653	67,653	18,272	7,324	-
<i>Solid Waste Infrastructure</i>		-	-	-	1,100	8,275	8,275	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		126,197	87,987	128,538	232,025	284,016	284,016	84,662	95,275	102,213
Community Facilities		15,050	22,584	40,572	19,947	16,627	16,627	3,674	7,000	8,239
Facilities		-	-	-	-	-	-	-	-	-
Community Assets		15,050	22,584	40,572	19,947	16,627	16,627	3,674	7,000	8,239
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		555	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		555	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		7,400	3,387	1,290	1,460	1,460	1,460	2,785	1,460	1,460

Machinery and Equipment	-	-	-	2,000	2,000	2,000	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	72,169	60,869	64,108
<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-	-	-	-	42,944	15,000	-
<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	29,225	45,869	64,108
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	72,169	60,869	64,108
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-

Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
<i>Roads Infrastructure</i>		96,795	24,451	30,735	29,938	28,938	28,938	30,790	29,240	34,999

<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		21,596	27,759	37,296	16,000	26,344	26,344	15,600	20,711	27,214
<i>Water Supply Infrastructure</i>		7,704	27,155	56,758	168,980	152,806	152,806	62,944	53,000	40,000
<i>Sanitation Infrastructure</i>		103	8,622	3,749	16,006	67,653	67,653	47,497	53,193	64,108
<i>Solid Waste Infrastructure</i>		-	-	-	1,100	8,275	8,275	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		126,197	87,987	128,538	232,025	284,016	284,016	156,831	156,144	166,321
Community Facilities		15,050	22,584	40,572	19,947	16,627	16,627	3,674	7,000	8,239
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		15,050	22,584	40,572	19,947	16,627	16,627	3,674	7,000	8,239
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		555	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		555	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		7,400	3,387	1,290	1,460	1,460	1,460	2,785	1,460	1,460
Machinery and Equipment		-	-	-	2,000	2,000	2,000	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		149,202	113,958	170,399	255,432	304,103	304,103	163,290	164,604	176,020
ASSET REGISTER SUMMARY - PPE (WDV)	5	3,025,805	3,022,715	3,071,627	3,283,592	3,317,964	3,317,964	3,375,028	3,433,406	3,503,200
<i>Roads Infrastructure</i>		1,561,160	1,528,094	1,505,853	1,508,549	1,493,249	1,493,249	1,479,582	1,464,364	1,454,906
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-

<i>Electrical Infrastructure</i>		373,537	388,142	409,766	419,344	429,688	429,688	431,639	438,701	452,266
<i>Water Supply Infrastructure</i>		290,595	305,120	346,535	539,467	523,293	523,293	572,668	612,099	638,530
<i>Sanitation Infrastructure</i>		253,608	251,433	245,000	242,375	294,022	294,022	333,130	377,935	433,653
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
Infrastructure		2,478,901	2,472,788	2,507,153	2,709,735	2,740,252	2,740,252	2,817,019	2,893,099	2,979,355
		18,648	27,482							
Community Assets		18,648	27,482	6,094	49,986	53,840	53,840	54,299	58,084	63,108
Heritage Assets										
		197	197							
Investment properties		197	197	197	197	197	197	197	197	197
Other Assets		–	–							
Biological or Cultivated Assets										
		2,775	2,308							
Intangible Assets		2,775	2,308	1,905	2,275	2,275	2,275	2,275	2,275	2,275
Computer Equipment										
Furniture and Office Equipment		525,285	519,940	556,278	521,400	521,400	521,400	501,238	479,751	458,264
Machinery and Equipment										
Transport Assets										
Land										
Zoo's, Marine and Non-biological Animals										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	3,025,805	3,022,715	3,071,627	3,283,592	3,317,964	3,317,964	3,375,028	3,433,406	3,503,200
EXPENDITURE OTHER ITEMS		133,113	131,216	113,137	146,038	146,038	146,038	153,707	156,477	159,412
<u>Depreciation</u>	7	121,353	114,464	105,651	106,226	106,226	106,226	106,226	106,226	106,226
<u>Repairs and Maintenance by Asset Class</u>	3	11,760	16,751	7,486	39,812	39,812	39,812	47,481	50,251	53,186
<i>Roads Infrastructure</i>		1,739	2,167	627	2,569	2,569	2,569	940	993	1,048
<i>Storm water Infrastructure</i>		–	–	–	–	–	–	823	872	925
<i>Electrical Infrastructure</i>		3,534	4,055	1,852	8,088	8,088	8,088	4,751	5,036	5,338
<i>Water Supply Infrastructure</i>		3,007	4,322	1,261	11,341	11,341	11,341	7,182	7,612	8,069
<i>Sanitation Infrastructure</i>		2,602	2,891	2,330	12,844	12,844	12,844	25,271	26,787	28,394
<i>Solid Waste Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Rail Infrastructure</i>		–	–	–	–	–	–	–	–	–

<i>Coastal Infrastructure Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Infrastructure	10,882	13,436	6,069	34,843	34,843	34,843	38,966	41,300	43,774
Community Facilities	877	827	602	2,283	2,283	2,283	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-
Community Assets	877	827	602	2,283	2,283	2,283	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	2,465	814	2,102	2,102	2,102	6,106	6,398	6,706
Housing	-	-	-	-	-	-	2,355	2,496	2,646
Other Assets	-	2,465	814	2,102	2,102	2,102	8,462	8,895	9,352
Biological or Cultivated	-	-	-	-	-	-	-	-	-
Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	23	-	584	584	584	53	56	60
Transport Assets	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non- biological Animals	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	133,113	131,216	113,137	146,038	146,038	146,038	153,707	156,477	159,412
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>44.2%</i>	<i>37.0%</i>	<i>36.4%</i>
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>67.9%</i>	<i>57.3%</i>	<i>60.4%</i>
<i>R&M as a % of PPE</i>	<i>0.4%</i>	<i>0.6%</i>	<i>0.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>1.5%</i>
<i>Renewal and upgrading and R&M as a % of PPE</i>	<i>0.0%</i>	<i>1.0%</i>	<i>0.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>4.0%</i>	<i>3.0%</i>	<i>3.0%</i>

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.

Table 17 MBRR Table A10 - Basic Service Delivery Measurement

GT484 Merafong City - Table A10
Basic service delivery
measurement

Description	R e f	2015/1 6	2016/1 7	2017/1 8	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outco me	Outco me	Outco me	Origin al Budget	Adjust ed Budget	Full Year Foreca st	Budget Year 2019/20	Budget Year +1 2020/2 1	Budget Year +2 2021/2 2
<u>Household service targets</u>	1									
<u>Water:</u>										
Piped water inside dwelling		35,428	35,428	35,428	35,428	35,428	35,428	35,428	35,428	35,428
Piped water inside yard (but not in dwelling)		35,791	35,791	35,791	35,791	35,791	35,791	35,791	35,791	35,791
Using public tap (at least min.service level)	2	25,787	25,787	25,787	25,787	25,787	25,787	25,787	25,787	25,787
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		97,006	97,006	97,006	97,006	97,006	97,006	97,006	97,006	97,006
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	97,006	97,006	97,006	97,006	97,006	97,006	97,006	97,006	97,006
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		54,069	54,069	54,069	54,069	54,069	54,069	54,069	54,069	54,069
Flush toilet (with septic tank)		1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Chemical toilet		–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)		7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900
<i>Minimum Service Level and Above sub-total</i>		63,269	63,269	63,269	63,269	63,269	63,269	63,269	63,269	63,269
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		102	102	102	102	102	102	102	102	102
No toilet provisions		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		102	102	102	102	102	102	102	102	102
Total number of households	5	63,371	63,371	63,371	63,371	63,371	63,371	63,371	63,371	63,371
<u>Energy:</u>										
Electricity (at least min.service level)		6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493
Electricity - prepaid (min.service level)		14,739	14,739	14,739	14,739	14,739	14,739	14,739	14,739	14,739
<i>Minimum Service Level and Above sub-total</i>		21,232	21,232	21,232	21,232	21,232	21,232	21,232	21,232	21,232
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–

Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-
Total number of households	5	21,232	21,232	21,232	21,232	21,232	21,232	21,232	21,232
<u>Refuse:</u>									
Removed at least once a week		28,893	28,893	28,893	28,893	28,893	28,893	28,893	28,893
<i>Minimum Service Level and Above sub-total</i>		28,893	28,893	28,893	28,893	28,893	28,893	28,893	28,893
Removed less frequently than once a week		-	-	-	-	-	-	-	-
Using communal refuse dump		11,604	11,604	11,604	11,604	11,604	11,604	11,604	11,604
Using own refuse dump		47,659	47,659	47,659	47,659	47,659	47,659	47,659	47,659
Other rubbish disposal		-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		59,263	59,263	59,263	59,263	59,263	59,263	59,263	59,263
Total number of households	5	88,156	88,156	88,156	88,156	88,156	88,156	88,156	88,156
<u>Households receiving Free Basic Service</u>	7								
Water (6 kilolitres per household per month)		9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
Sanitation (free minimum level service)		9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
Electricity/other energy (50kwh per household per month)		9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
Refuse (removed at least once a week)		9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
<u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u>	8								
Water (6 kilolitres per indigent household per month)		219	358	565	5,037	5,037	5,037	565	565
Sanitation (free sanitation service to indigent households)		1,477	1,837	1,686	6,178	6,178	6,178	1,686	1,686
Electricity/other energy (50kwh per indigent household per month)		1,644	2,294	1,687	8,800	8,800	8,800	1,687	1,687
Refuse (removed once a week for indigent households)		3,090	3,559	2,817	12,164	12,164	12,164	2,817	2,817
<u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u>		-	-	-	-	-	-	-	-
Total cost of FBS provided		6,430	8,049	6,755	32,179	32,179	32,179	6,755	6,755
<u>Highest level of free service provided per household</u>									
Property rates (R value threshold)		65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50
Refuse (average litres per week)		200	200	200	200	200	200	200	200
<u>Revenue cost of subsidised services provided (R'000)</u>	9								

Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)									
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA	32,336	43,288	45,227	116,473	116,473	116,473	47,582	50,437	53,463
Water (in excess of 6 kilolitres per indigent household per month)	46,739	42,485	–	75,518	75,518	75,518	5,471	5,834	6,217
Sanitation (in excess of free sanitation service to indigent households)	–	–	–	13,945	13,945	13,945	6,440	6,928	7,445
Electricity/other energy (in excess of 50 kwh per indigent household per month)	58,766	60,778	–	66,753	66,753	66,753	29,975	31,875	33,889
Refuse (in excess of one removal a week for indigent households)	–	–	–	17,780	17,780	17,780	11,394	12,247	13,150
Municipal Housing - rental rebates									
Housing - top structure subsidies	6 19,901	634							
Other									
Total revenue cost of subsidised services provided	157,742	147,186	45,227	290,469	290,469	290,469	100,863	107,320	114,164

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 22 000 households to be registered as indigent in 2019/20, and therefore entitled to receiving Free Basic Services.
3. In addition to the Free Basic Services, the Municipality also provides households with an amount of R100.9 million in free services in 2019/20, and it decreases to R114 million in 2021/22. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

5.1 OVERVIEW OF BUDGET RELATED POLICIES

Budgeting is central to the process of prioritizing for service delivery and the management of the functions of Council. The Municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

Council had in terms of Regulation 7 and 8 of Local Government Gazette 32141 reviewed the budget related policies and bylaws for Merafong Local Council.

The following policies are amended or are new policies that need to be adopted by Council.

The policies were submitted to Management for their inputs.

The following are the key policies that affect or are affected by the annual budget that needs to be reviewed and amended if necessary.

Tariff Policy

The Municipal Systems Act, Act 32 of 2000, requires a municipality to have a tariff determination policy.

The challenge in setting tariffs lies in striking a balance between maintaining financial sustainability of the relevant departments and entities (and so sustainability of service provision) and ensuring affordability of those services by consumers.

The Municipality Tariff Policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision.

This policy is based on principles that address the social, economic and financial imperatives that the process of tariff setting should take account of. In addition to the policy, and for operational purposes, tariff setting methodologies have been developed for the various departments and entities involved in trading services. The methodology specifies the procedure that departments and municipal entities should follow in determining their tariff increases:

Property Rates Policy

The Municipality has revised its Rates Policy as per the legislative requirements. The new policy provides that properties be rated based on the value of their land and improvements. Sectional title owners will also be drawn into the rates base. A new valuation roll is accordingly in place. The first Rates Policy and General Valuation Roll in terms of the Municipal Property Rates Act (MPRA) were implemented by the Municipality on the 01st July 2008.

The policy is designed to ensure equitable treatment by Council in the levying of rates on property owners, including owners under sectional title, as well as other persons who may become liable for the payment of rates. This will affect the rates payable by the Municipality's property owners, and ultimately impact on the Municipality's own revenue stream.

Credit Control and Debt Collections Policy

The Municipalities Credit Control and Debt Collection Policy provides the procedures and mechanisms for credit control and for the collection of debts. The primary objective of this policy is to ensure that all monies due and payable to the Municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly.

Indigent and Free Basic Services Subsidies Policy

Council has adopted an Indigent and Free Basic Services Subsidy Policy, which embodies and provide procedures and guidelines for the subsidization of basic services and tariff charges to indigent households in its municipal area.

The object of the Indigent and Free Basic Services Subsidy Policy is to ensure:

- (a) The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Municipality of the Council; and
- (b) The provision of procedures and guidelines for the subsidization of basic service charges to indigent households.

Debt Write Off Policy

This policy serves to assist management and officials of the municipality to implement and maintain consistent, efficient and effective bad debts management principles. This policy will also assist management to run the municipality in a cost effective manner and yet achieving high levels of revenue collection. The policy also seeks to mitigate the risk of fraudulent writing off of fictitious bad debts.

PURPOSE

- To ensure that bad debt write-offs are authorized at appropriate levels.
- To ensure that only bona fide bad debts are written off.
- To ensure firmness in writing off bad debts.
- To ensure that debt collection is effective and efficient.
- To ensure that bad debts are kept within reasonable proportions.
- To ensure that the estimated loss resulting from bad debts is provided for during the same period that the income to which it is related is earned, and

- To ensure that the outstanding debtors appear in the monthly balance sheet at net realizable value, since the provision is deducted from the gross amount of the debtors.

Supply Chain Management Policy

Municipalities are required in terms of section 111 of the MFMA to have a supply chain management policy.

The Municipality has an approved Supply Chain Management Policy, within the framework of the relevant legislation and regulations. The policy ascribes to the following principles:

A procurement system which is fair, equitable, transparent, competitive and cost- effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;

- As enshrined in Chapter 11 of the Municipal Finance Management Act and its regulations;
- Best practices in supply chain management;
- Uniformity in supply chain management systems between organs of state in all spheres;
- Broad Based Black Economic Empowerment.

Additional Policies

- Asset Management Policy
- Cash Management Policy
- Borrowing Policy
- Funding and Reserve Policy
- Virement Policy
- Long-term Financial Planning Policy
- Capital Investment Policy
- Budget Policy

Bylaws

- Property Rates